

ABF Malaysia Bond Index Fund

Quarterly Report

31 March 2016

TRUST DIRECTORY

Manager

AmFunds Management Berhad
(formerly known as AmInvestment Services Berhad)
9th & 10th Floor, Bangunan AmBank Group
55 Jalan Raja Chulan
50200 Kuala Lumpur

Board of Directors

Pushparani a/p Moothathamby
Mustafa Mohd Nor
Tai Terk Lin
Datin Maznah Mahbob
Sum Leng Kuang

Investment Committee

Sum Leng Kuang
Tai Terk Lin
Mustafa Mohd Nor
Dr. Frank Richard Ashe
Datin Maznah Mahbob

Trustee

HSBC (Malaysia) Trustee Berhad

Auditors and Reporting Accountants

Ernst & Young

Taxation Adviser

Deloitte Tax Services Sdn Bhd

CORPORATE DIRECTORY

AmFunds Management Berhad
(formerly known as AmInvestment Services Berhad)

Registered Office

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Head Office

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Secretary

Koh Suet Peng (MAICSA 7019861)
Hafidzah Binti Zakaria (MAICSA 7052802)
22nd Floor, Bangunan AmBank Group
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HSBC (Malaysia) Trustee Berhad

Business/Registered Office/Head Office

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CONTENTS

1	Manager's Report
14	Additional Information
28	Statement of Financial Position
29	Statement of Comprehensive Income
30	Statement of Changes in Equity
31	Statement of Cash Flows
32	Notes to the Financial Statements
52	Directory

MANAGER'S REPORT

Dear Unitholders,

We are pleased to present you the Manager's report and the unaudited quarterly accounts of ABF Malaysia Bond Index Fund ("Fund") for the financial period from 1 January 2016 to 31 March 2016.

Salient Information of the Fund

Name	ABF Malaysia Bond Index Fund ("Fund")				
Category/ Type	Fixed Income ETF/ Income				
Objective	<p>A listed bond fund that is passively managed against the given benchmark and the returns will be expected to correspond closely to the performance of the benchmark index.</p> <p><i>Note : Any material change to the Fund's investment objective will require the unitholders' approval by way of special resolution.</i></p>				
Index Component	Details of the index component as at 31 March 2016 are as follows:				
	Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
	GN070008	Government of Malaysia	3.941	15 June 2017	3,000,000,000
	VJ110196	Pengurusan Air SPV Berhad	3.980	16 June 2017	1,500,000,000
	GJ120009	Government of Malaysia	3.309	30 August 2017	9,500,000,000
	ML100002	Government of Malaysia	4.012	15 September 2017	14,000,000,000
	UK100107	Cagamas Berhad	3.980	20 October 2017	1,000,000,000
	MJ120005	Government of Malaysia	3.314	31 October 2017	13,500,000,000
	GH140001	Government of Malaysia	3.678	23 November 2017	7,500,000,000
	VK110024	GovCo Holdings Berhad	4.070	23 February 2018	1,500,000,000
	MI130002	Government of Malaysia	3.260	1 March 2018	8,786,560,000
	UN080007	The Export- Import Bank of Korea	4.500	12 March 2018	500,000,000
	GG150005	Government of Malaysia	3.508	15 May 2018	7,500,000,000
	VK110197	Pengurusan Air SPV Berhad	4.040	15 June 2018	1,500,000,000
	(Forward)				

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
GL110001	Government of Malaysia	3.872	30 August 2018	8,500,000,000
MK110005	Government of Malaysia	3.580	28 September 2018	11,440,000,000
GN080031	Government of Malaysia	4.295	31 October 2018	7,500,000,000
GJ130055	Government of Malaysia	3.399	30 November 2018	4,000,000,000
VI140030	Pengurusan Air SPV Berhad	4.160	7 February 2019	1,000,000,000
VI140036	Prasarana Malaysia Berhad	4.080	12 March 2019	1,500,000,000
MH150005	Government of Malaysia	3.759	15 March 2019	7,177,897,000
GJ130070	Government of Malaysia	3.558	30 April 2019	10,000,000,000
MS04003H	Government of Malaysia	5.734	30 July 2019	7,315,545,000
GO090001	Government of Malaysia	3.910	13 August 2019	6,000,000,000
VI140209	Rantau Abang Capital Berhad	4.140	28 August 2019	1,500,000,000
GL120021	Government of Malaysia	3.704	30 September 2019	8,000,000,000
MJ140004	Government of Malaysia	3.654	31 October 2019	11,800,000,000
MO090002	Government of Malaysia	4.378	29 November 2019	17,119,000,000
ML120006	Government of Malaysia	3.492	31 March 2020	11,000,000,000
GO090061	Government of Malaysia	4.492	30 April 2020	3,500,000,000
GL120098	Government of Malaysia	3.576	15 May 2020	11,000,000,000
GN100021	Government of Malaysia	4.284	15 June 2020	5,500,000,000
MK130006	Government of Malaysia	3.889	31 July 2020	7,973,060,000
GJ150002	Government of Malaysia	3.799	27 August 2020	10,000,000,000
VI150192	Pengurusan Air SPV Berhad	4.280	28 September 2020	700,000,000
MJ150003	Government of Malaysia	3.659	15 October 2020	11,742,134,000
GN100060	Government of Malaysia	3.998	30 November 2020	3,000,000,000

(Forward)

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
VN110023	GovCo Holdings Berhad	4.450	23 February 2021	1,500,000,000
DK140001	Khazanah Nasional Berhad	0.000	24 February 2021	1,300,000,000
GL130069	Government of Malaysia	3.716	23 March 2021	9,500,000,000
GN110025	Government of Malaysia	4.170	30 April 2021	12,500,000,000
MO110001	Government of Malaysia	4.160	15 July 2021	13,500,000,000
GJ160002	Government of Malaysia	3.743	26 August 2021	3,500,000,000
VK140222	Bank Pembangunan Malaysia Berhad	4.190	10 September 2021	700,000,000
ML140003	Government of Malaysia	4.048	30 September 2021	11,700,000,000
VN120202	Perbadanan Tabung Pendidikan Tinggi Nasional	3.850	15 June 2022	2,500,000,000
GL150001	Government of Malaysia	4.194	15 July 2022	10,000,000,000
MO120001	Government of Malaysia	3.418	15 August 2022	10,500,000,000
DN120017	Khazanah Nasional Berhad	0.000	2 September 2022	1,500,000,000
ML150002	Government of Malaysia	3.795	30 September 2022	11,000,000,000
GO120037	Government of Malaysia	3.699	15 November 2022	8,500,000,000
VN130068	Turus Pesawat Sdn Bhd	3.770	3 February 2023	500,000,000
MN130003	Government of Malaysia	3.480	15 March 2023	11,420,000,000
GL160001	Government of Malaysia	4.390	07 July 2023	4,000,000,000
DS081080	Khazanah Nasional Berhad	0.000	14 August 2023	2,000,000,000
ML160001	Government of Malaysia	3.800	17 August 2023	4,000,000,000
GO130033	Government of Malaysia	3.493	31 October 2023	4,000,000,000
DS090052	Khazanah Nasional Berhad	0.000	20 March 2024	1,500,000,000
VN140090	Perbadanan Tabung Pendidikan Tinggi Nasional	4.670	28 March 2024	1,800,000,000

(Forward)

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
GO130071	Government of Malaysia	4.444	22 May 2024	12,500,000,000
MO140001	Government of Malaysia	4.181	15 July 2024	11,020,000,000
VN140223	Bank Pembangunan Malaysia Berhad	4.380	12 September 2024	500,000,000
VN140396	Perbadanan Tabung Pendidikan Tinggi Nasional	4.550	20 December 2024	700,000,000
VN150103	Jambatan Kedua Sdn Bhd	4.300	28 May 2025	1,300,000,000
MY050003	Government of Malaysia	4.837	15 July 2025	3,000,000,000
MO150001	Government of Malaysia	3.955	15 September 2025	13,672,200,000
VN150193	Pengurusan Air SPV Berhad	4.630	26 September 2025	860,000,000
GO150004	Government of Malaysia	3.990	15 October 2025	10,500,000,000
PZ00197S	Bank Pembangunan Malaysia Berhad	7.500	30 October 2025	500,000,000
MS110003	Government of Malaysia	4.392	15 April 2026	10,574,330,000
VS110260	Prasarana Malaysia Berhad	4.350	04 August 2026	1,200,000,000
VP140207	Perbadanan Tabung Pendidikan Tinggi Nasional	4.530	27 August 2026	500,000,000
MX060002	Government of Malaysia	4.709	15 September 2026	3,110,000,000
GO160003	Government of Malaysia	4.070	30 September 2026	4,000,000,000
MS120002	Government of Malaysia	3.892	15 March 2027	5,500,000,000
MX070003	Government of Malaysia	3.502	31 May 2027	6,000,000,000
GS120059	Government of Malaysia	3.899	15 June 2027	5,000,000,000
MS130005	Government of Malaysia	3.733	15 June 2028	5,000,000,000
GT130001	Government of Malaysia	3.871	8 August 2028	3,000,000,000
MX080003	Government of Malaysia	5.248	15 September 2028	5,040,000,000
GS130072	Government of Malaysia	4.943	6 December 2028	5,000,000,000

(Forward)

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
VS140224	Bank Pembangunan Malaysia Berhad	4.750	12 September 2029	900,000,000
VX090825	Prasarana Malaysia Berhad	5.070	28 September 2029	1,500,000,000
VS150025	Perbadanan Tabung Pendidikan Tinggi Nasional	4.630	12 February 2030	500,000,000
VS150043	Prasarana Malaysia Berhad	4.640	22 March 2030	1,100,000,000
MX100003	Government of Malaysia	4.498	15 April 2030	2,770,000,000
VS150104	Jambatan Kedua Sdn Bhd	4.520	28 May 2030	700,000,000
MX110004	Government of Malaysia	4.232	30 June 2031	3,750,000,000
MX120004	Government of Malaysia	4.127	15 April 2032	5,500,000,000
MX130004	Government of Malaysia	3.844	15 April 2033	4,500,000,000
GX130068	Government of Malaysia	4.582	30 August 2033	4,000,000,000
VX130278	DanaInfra Nasional Berhad	4.800	31 October 2033	900,000,000
VX140225	Bank Pembangunan Malaysia Berhad	4.850	12 September 2034	900,000,000
MY150004	Government of Malaysia	4.254	31 May 2035	2,661,000,000
GX150006	Government of Malaysia	4.786	31 October 2035	3,500,000,000
VZ090248	1Malaysia Development Bhd	5.750	27 May 2039	650,000,000
VZ090241	1Malaysia Development Bhd	5.750	27 May 2039	600,000,000
VZ090245	1Malaysia Development Bhd	5.750	27 May 2039	650,000,000
VZ090246	1Malaysia Development Bhd	5.750	27 May 2039	650,000,000
VZ090247	1Malaysia Development Bhd	5.750	27 May 2039	650,000,000
VZ150047	DanaInfra Nasional Berhad	4.950	6 April 2040	1,000,000,000
VZ150257	DanaInfra Nasional Berhad	5.040	12 November 2040	800,000,000
VZ160031	Syarikat Prasarana Negara Berhad	5.070	26 February 2041	755,000,000
MZ130007	Government of Malaysia	4.935	30 September 2043	6,500,000,000

(Forward)

	Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
	VZ150046	DanaInfra Nasional Berhad	5.050	6 April 2045	1,000,000,000
	VZ150258	DanaInfra Nasional Berhad	5.150	10 November 2045	800,000,000
	MZ160002	Government of Malaysia	4.736	15 March 2046	2,500,000,000
	<i>(Source: Markit Indices Limited)</i>				
Duration	The Fund was established on 12 July 2005 and shall exist for as long as it appears to the Manager and the Trustee that it is in the interests of the unitholders for it to continue. In some circumstances, the unitholders can resolve at a meeting to terminate the Fund.				
Performance Benchmark	iBoxx® ABF Malaysia Bond Index				
Income Distribution Policy	Income distribution (if any) will be paid semi-annually.				
Breakdown of Unit Holdings by Size	For the financial period under review, the size of the Fund stood at 1,265,421,800 units.				
	Size of holding	As at 31 March 2016		As at 31 December 2015	
		No of units held	Number of unitholders	No of units held	Number of unitholders
	Less than 100	200	5	200	5
	100 – 1,000	9,400	22	8,400	21
	1,001 -10,000	41,100	10	43,100	11
	10,001 – 100,000	90,500	3	38,500	3
	100,001 to less than 5% of issue units	5,612,230	4	5,158,730	5
	5% and above of issue units	1,259,668,370	3	1,260,172,870	3

Fund Performance Data

Portfolio Composition	Details of portfolio composition of the Fund for the financial period as at 31 March 2016 and three financial years as at 31 December are as follows:				
		As at 31-3-2016 %	FY 2015 %	FY 2014 %	FY 2013 %
	Corporate bonds	-	0.76	1.48	-
	Malaysian Government Securities	95.74	90.57	78.21	92.21
	Quasi-Government bonds	3.23	6.46	20.77	8.49
	Cash and others	1.03	2.21	(0.46)	(0.70)
	Total	100.00	100.00	100.00	100.00
	<i>Note: The abovementioned percentages are calculated based on total net asset value.</i>				
Performance Details	Performance details of the Fund for the financial period ended 31 March 2016 and three financial years ended 31 December are as follows:				
		3 months ended 31-3-2016	FY 2015	FY 2014	FY 2013
	Net asset value (RM)	1,372,667,813	1,341,876,193	685,894,438	684,340,987
	Units in circulation	1,265,421,800	1,265,421,800	660,421,800	647,421,800
	Net asset value per unit (RM)	1.0848*	1.0604	1.0386	1.0570
	Highest net asset value per unit (RM)	1.0848*	1.0655	1.0841	1.1136
	Lowest net asset value per unit (RM)	1.0599*	1.0323	1.0355	1.0553
	Closing quoted price (RM/unit)	1.0830*	1.0520	1.0350	1.0970
	Highest quoted price (RM/unit)	1.0830*	1.0680	1.0840	1.1030
	Lowest quoted price (RM/unit)	1.0520*	1.0300	1.0350	1.0840
	Benchmark performance (%)	2.46	4.12	3.79	0.85
	Total return (%) ⁽¹⁾	2.30	3.74	3.98	0.36
		(Forward)			

	3 months ended 31-3-2016	FY 2015	FY 2014	FY 2013
- Capital growth (%)	2.30	2.12	-1.70	-2.86
- Income distribution (%)	-	1.62	5.68	3.22
Gross distribution (sen per unit)	-	1.68	6.00	3.50
Net distribution (sen per unit)	-	1.68	6.00	3.50
Distribution yield (%) ⁽²⁾	-	1.60	5.80	3.19
Management expense ratio (%) ⁽³⁾	0.23	0.16	0.18	0.19
Portfolio turnover ratio (times) ⁽⁴⁾	0.08	0.74	0.66	0.23

* Above price and net asset value per unit are not shown as ex-distribution.

Note:

- (1) Total return is the actual/annualised return of the Fund for the respective financial period/years computed based on the net asset value per unit and net of all fees.
- (2) Distribution yield is calculated based on the total distribution for the respective financial years divided by the closing quoted price.
- (3) Management expense ratio ("MER") is calculated based on the total fees and expenses incurred by the Fund divided by the average fund size calculated on a daily basis. The MER increased by 0.07% as compared to 0.16% per annum for the financial year ended 31 December 2015 mainly due to increase in expenses.
- (4) Portfolio turnover ratio ("PTR") is calculated based on the average of the total acquisitions and total disposals of investment securities of the Fund divided by the average fund size calculated on a daily basis. The PTR decreased by 0.66 times (89.19%) as compared to 0.74 times for the financial year ended 31 December 2015 mainly due to decrease in investing activities.

Average Total Return (as at 31 March 2016)

	ABFMY1^(a) %	iBoxx Index^(b) %
One year	4.06	4.19
Three years	3.13	3.39
Five years	3.70	3.97
Ten years	3.75	3.97

Annual Total Return

Financial Years Ended (31 December)	ABFMY1 ^(a) %	iBoxx Index ^(b) %
2015	3.74	4.12
2014	3.98	3.79
2013	0.36	0.85
2012	3.80	4.18
2011	4.57	4.85

(a) Independently verified by Novagni Analytics and Advisory Sdn Bhd.

(b) iBoxx ABF Malaysia Index ("iBoxx Index") (Obtainable from www.aminvest.com)

The Fund performance is calculated based on the net asset value per unit of the Fund. Average total return of the Fund and its benchmark for a period is computed based on the absolute return for that period annualised over one year.

Note: Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up.

Fund Performance

For the financial period under review, the Fund registered a return of 2.30% which was entirely capital growth in nature.

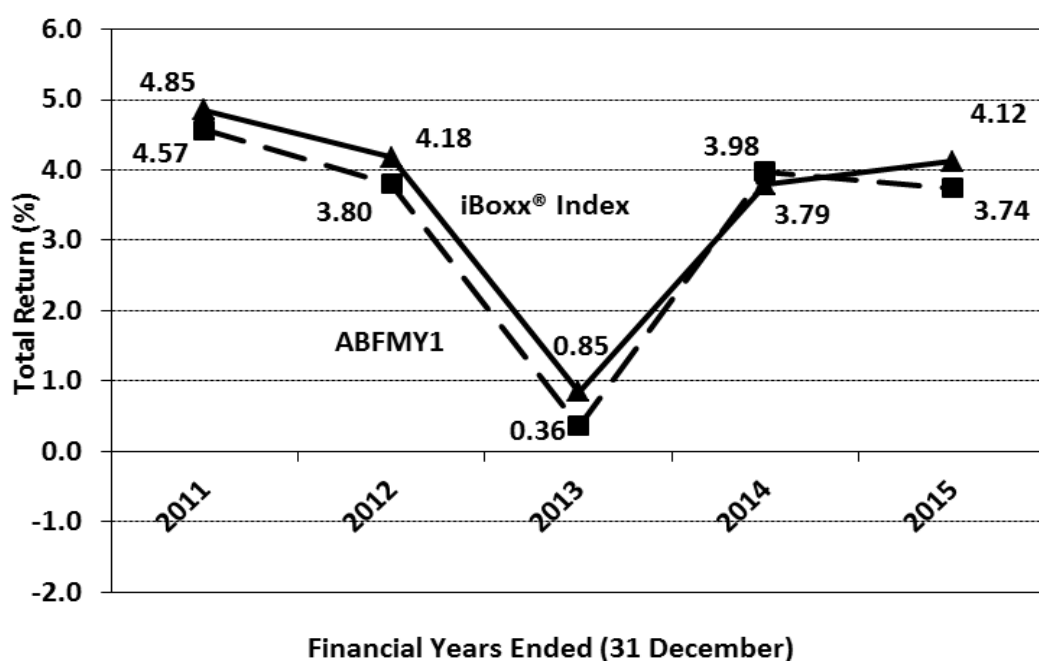
Thus, the Fund's return of 2.30% has underperformed the benchmark's return of 2.46% by 0.16%.

As compared with the financial year ended 31 December 2015, the net asset value ("NAV") per unit of the Fund increased by 2.30% from RM1.0604 to RM1.0848, while units in circulation while units in circulations while units in circulations remain unchanged at 1,265,421,800 units.

The closing price quoted at Bursa Malaysia of the Fund increased by 2.95% from RM1.0520 to RM1.0830.

The line chart below shows the comparison between the annual performance of ABFMY1 and its benchmark, iBoxx® Index, for the financial years ended 31 December.

(Forward)



Note: Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up.

Strategies and Policies Employed

For the financial period under review, the Fund used a passive strategy whereby the Manager aims, by way of representative sampling, to achieve a return on the Fund Assets that closely tracks the returns of the benchmark index.

Portfolio Structure

This table below is the asset allocation of the Fund for the financial period/year under review.

	As at 31-3-2016 %	As at 31-12-2015 %	Changes %
Corporate bonds (low risk asset as accorded by Bank Negara Malaysia)	-	0.76	-0.76
Malaysian Government Securities	95.74	90.57	5.17
Quasi-Government bonds (low risk asset as accorded by Bank Negara Malaysia)	3.23	6.46	-3.23
Cash and others	1.03	2.21	-1.18
Total	100.00	100.00	

For the financial period under review, the fund invested 98.97% in fixed income securities while the balance of 1.03% was held in cash.

Distribution/unit splits

There was no income distribution and unit split declared for the financial period under review.

State of Affairs of the Fund

There has been neither significant change to the state of affairs of the Fund nor any circumstances that materially affect any interests of the unit holders during the financial period under review.

Rebates and Soft Commission	<p>It is our policy to pay all rebates to the Fund. Soft commission received from brokers/dealers are retained by the Manager only if the goods and services provided are of demonstrable benefit to unitholders of the Fund.</p> <p>During the financial period under review, the Manager had received on behalf of the Fund, soft commissions in the form of fundamental database, financial wire services, technical analysis software and stock quotation system incidental to investment management of the Fund. These soft commissions received by the Manager are deemed to be beneficial to the unitholders of the Fund.</p>
Market Review	<p>In January, Bank Negara Malaysia (“BNM”) kept the Overnight Policy Rate (“OPR”) at 3.25% as widely expected in the first Monetary Policy Committee (“MPC”) meeting of the year. However, the policymaker surprised the market by cutting the Statutory Reserve Requirement (“SRR”) by 50 basis points (“bps”) to 3.50% at the same meeting as an attempt to ease liquidity conditions and ensure that financial markets continue to function in an orderly manner. During the month, global crude oil price continued to trend lower and dipped below USD30 per barrel (“bbl”) at one point in time and this led to Prime Minister Dato’ Seri Mohd Najib announcing the need to recalibrate the Budget for 2016 given that the Budget was announced in October last year with an oil price assumption of USD48/bbl. The recalibrated budget was subsequently announced on 28 January 2016 and largely continues to demonstrate the commitment of the Malaysian government to maintain fiscal discipline despite the lower oil revenue. The key takeaways from the recalibrated Budget are as follows:</p> <ul style="list-style-type: none"> • 2016 Gross Domestic Product (“GDP”) growth revised to 4.0 – 4.5% (from 4.0 – 5.0% previously) • Budget based on oil price assumption of USD30-35/bbl • Budget deficit target remains unchanged and maintained at 3.1% of GDP • Operating expenditure to cut by RM4.0billion by cutting grants to Government Linked Companies (“GLCs”) and reducing wastage • Reduction in Employee Provident Fund (“EPF”) contribution by 3% <p>Moody’s revised Malaysia’s sovereign rating outlook from A3/Positive to A3/Stable, bringing its view largely in line with the two other major rating agencies (both at A-/Stable). This is largely to reflect the current external headwinds in the form of prolonged weakness seen in global crude oil price which will negatively impact the government’s revenue. Nevertheless, Moody’s highlighted that they continue to view prior measures taken by the government (such as removal of fuel subsidies and successful implementation of Goods and Services Tax (“GST”)) to address its fiscal position as credit positive as it demonstrates the government’s fiscal commitment.</p> <p>In February, Malaysia reported that 4Q2015 GDP grew by 4.5% thus bringing overall GDP growth for the year to 5.0% and handily beating consensus forecast of 4.1% for 4Q2015 and 4.8% for 2015. As expected, the outperformance continued to be led by the resilience in Malaysia’s private consumption growth and a rebound in exports especially the manufacturing sector. Meanwhile, Malaysia’s Consumer Price Index (“CPI”) climbed to 3.5% YoY in January 16 (December 15: 2.7%). On a Month-over-Month (“MoM”) basis, the index contracted by 0.3% indicating an easing in domestic price pressure on the back of moderating domestic demand. On the job front, Malaysia’s unemployment rate continues to inch higher, rising to 3.3% in December from 3.2% in the previous month and 3.0% a year ago. The number of unemployed people climbed to 478,100 in December from 453,300 in November 432,100 a year ago. The labor force participation rate came in at 67.8%, up from 67.7% in November. On the commodities front, crude oil price has been averaging around USD30 to USD35</p>

per barrel as concerns of an oversupplied market remains. Mirroring the volatility in oil prices, Malaysia's Ringgit has also been trading around a tight range of around USD/MYR of RM4.10 to RM4.25. Fitch Ratings kept Malaysia's rating at A- with Stable outlook as external liquidity position deteriorated due to large capital outflows and loss of forex reserves. Nevertheless, Fitch Ratings also mentioned that Malaysia's liquidity, (as measured by Fitch's broader external liquidity metric) still remains above the "A" median.

In March, Bank Negara Malaysia kept the Overnight Policy Rate ("OPR") unchanged at 3.25% as expected and also left the Statutory Reserve Requirement ("SRR") ratio at 3.50% in the second Monetary Policy Committee ("MPC") meeting of the year. The tone of the MPC statement remained broadly similar to the previous MPC statement as BNM continues to highlight global growth vulnerability to *"downside risks arising from prevailing fragilities that are both cyclical and structural, excessive leverage, the sharp declines in commodity prices and the rising geopolitical risks."* The month of March also saw BNM released its Annual Report for 2015, highlighting its expectations of slower domestic growth, which is projected to grow by 4.0 – 4.5% in 2016 primarily driven by domestic demand and sustained mainly through private consumption. Meanwhile, inflation is expected to range between 2.5 – 3.5% in 2016. Separately, it was also the first time BNM released information on the composition of foreign holdings in Malaysian Government Securities ("MGS")/Government Investment Issues ("GII") and the breakdown is as follows:

- Asset Managers: 44%
- Central Banks / Governments: 29%
- Pension Funds: 13%
- Banks: 10%
- Insurance Companies: 2%
- Nominees / Custodians: 1%
- Others: 1%

Lastly, Standard and Poor ("S&P") affirmed Malaysia's A-/Stable rating premised on its expectations that the 1 Malaysia Development Berhad ("1MDB") issues and the upcoming change in BNM leadership will not diminish the effectiveness of policymaking either in the executive branch or at the central bank. S&P also believes the government has taken sufficient offsetting measures to compensate for lost hydrocarbon-related fiscal revenue. In addition, the country's strong external position and fairly diverse economy can absorb some weakness in the oil and gas sector.

Market Outlook

Global bond markets continue to perform strongly on the back of Janet Yellen's relatively dovish speech where she spelled out what the US Federal Reserve ("Fed") need to see before conditions are met for future rate hikes. Furthermore, she continues to stress on the Fed's data dependence stance and the importance for interest rates to be raised at a cautious pace. This resulted in a broad strengthening of Emerging Market currencies as well as other risk assets.

On the local front, domestic issues that have weighed on the economy over the past year such as the weak Ringgit, soft global commodity prices and declining global oil price has somewhat dissipated amidst expectations of a slower Fed rate hike as well as stabilization in global commodity prices especially crude oil price. The current backdrop is expected to sustain in the near term with market expecting the Ringgit to hover around 3.80 – 3.90 to the US Dollar.

The overall improvement in risk sentiment is expected to benefit the local bond market with yields having declined significantly across the board over the past two weeks.

With the domestic economy expected to grow at a slower pace of 4.0 – 4.5% in 2016 coupled with expectations of well contained inflationary environment, Bank Negara Malaysia (“BNM”) is expected to maintain its current accommodative monetary policy stance. Given as such, the Overnight Policy Rate (“OPR”) is likely to remain at its current rate of 3.25% for 2016. Nevertheless, should the domestic economic activity and external growth outlook deteriorate significantly and more than expected, then we believe there is room for BNM to cut the OPR to support domestic growth.

With the Ringgit largely at its ascendancy and one of the main beneficiaries from a more cautious Fed, the local bond market is expected to remain well supported in the coming months. Even though Malaysian Government Securities (“MGS”) yields have come down significantly across the board over the past month, there appear to be still some value left in the MGS market especially the long end of the curve. In the meantime, bargain hunting and relative value activities are expected to persist with interest coming from both offshore as well as local investors.

Kuala Lumpur, Malaysia
AmFunds Management Berhad
(formerly known as AmInvestment Services Berhad)

29 April 2016

ADDITIONAL INFORMATION

Board of Directors of the Manager

The Board of Directors, of which more than one-third are independent members, exercise ultimate control over the operations of the Manager. For the financial period (1 January 2016 to 31 March 2016), there was one (1) Board of Directors meeting held by the Manager.

Details of the Directors of the Manager are set out as below:

Name	: Pushparani a/p A Moothathamby
Age	: 57 years old
Nationality	: Malaysian
Qualification	: i) Fellow Member of The Chartered Association of Certified Accountants, United Kingdom ii) Member of the Malaysian Institute of Accountants, Malaysia
Executive/Non-Executive Director	: Non-Executive Director
Independent/Non-Independent Director	: Non-Independent Director
Working Experience	: i) (Dec 1983 – Apr 1986) Sri Alam Group [Group Accountant] ii) (May 1986 – Apr 1989) Coopers & Lybrand (now known as PricewaterhouseCoopers Malaysia) [Consultant] iii) (May 1989 – Dec 2004) AmMerchant Bank Berhad (now known as AmInvestment Bank Berhad) [Last post as the Head of Corporate Finance] iv) (Jan 2005 – July 2008) AmMerchant Bank Berhad (now known as AmInvestment Bank Berhad) [Executive Director] v) (July 2008 – Oct 2009) AmInvestment Bank Berhad [Managing Director, Relationship Banking & Regional Business] vi) (Oct 2009 – Oct 2013) AmInvestment Bank Berhad [Managing Director, Corporate & Institutional Banking] vii) (Oct 2013 – May 2014) AmInvestment Bank Berhad [Managing Director, Wholesale Banking Coverage]

	viii) (May 2014 – Present) AmBank (M) Berhad [Managing Director, Wholesale Banking Coverage]
Occupation	: Managing Director, Wholesale Banking and Acting Chief Executive Officer of AmInvestment Bank Berhad
Date of appointment	: 2 November 2015
Directorship of other public companies	: i) AmTrustee Berhad ii) FIDE Forum
Number of Board meeting attended for the financial period (From 1 January 2016 to 31 March 2016)	: One (1)
Member of any other Board Committee	: Audit Committee of Directors
Date of appointment to the Investment Committee	: Not applicable
Number of Investment Committee meeting attended for the financial period (From 1 January 2016 to 31 March 2016)	: Not applicable
Family relationship with any director	: None
Conflict of interest with the Fund	: None
List of convictions for offences within the past 10 years (if any)	: None
Name	: Mustafa bin Mohd Nor
Age	: 64 years old
Nationality	: Malaysian
Qualification	: i) Masters of Arts (Economic Policy), Boston University, USA ii) Bachelor of Economics (Analytical), University of Malaya, Malaysia
Executive/Non-Executive Director	: Non-Executive Director
Independent/Non-Independent Director	: Independent Director
Working Experience	: i) (1975-1988) Macroeconomic Section, Economic and International Division, Ministry of Finance [various positions, last as Head] ii) (1988-1990) Development & Commercial Bank Berhad. [Manager, Treasury Department] iii) March 1990-August 1992) Arab Malaysian Securities Sdn Bhd [Chief Economist] iv) (September 1992-December 2001) AmSecurities Sdn Bhd

	[Executive Director/Chief Economist]
	v) (January 2002-December 2005) AmSecurities Sdn Bhd [Managing Director]
	vi) (January 2006-May 2009) (Retirement) AmInvestment Bank Berhad Group [Economic Advisor]
	vii)(September 2009-August 2012) (Contract) Permodalan Nasional Berhad [Senior Vice President/Head, Research Division]
Occupation	: Director
Date of appointment	: 3 March 2014
Directorship of other public companies	: KUISAS Berhad
Number of Board meeting attended for the financial period (From 1 January 2016 to 31 March 2016)	: One (1)
Member of any other Board Committee	: i) Investment Committee ii) Audit Committee of Directors
Date of appointment to the Investment Committee	: 3 March 2014
Number of Investment Committee meeting attended for the financial period (From 1 January 2016 to 31 March 2016)	: Two (2)
Family relationship with any director	: None
Conflict of interest with the Fund	: None
List of convictions for offences within the past 10 years (if any)	: None
Name	: Tai Terk Lin
Age	: 55 years old
Nationality	: Malaysian
Qualification	: i) Master of Business Administration (School of Management), Cranfield Institute of Technology, United Kingdom. ii) Bachelor of Science with Education, Mathematics & Physics, University of Malaya, Malaysia. iii) Certified Financial Planner Board of Standard, Inc, USA Certified Financial Planner iv) Financial Industry Certified Professional, FICP, Institute of Banking & Finance (IBF), Singapore

Executive/Non-Executive Director	: Non-Executive Director
Independent/Non-Independent Director	: Independent Director
Working Experience	: <ul style="list-style-type: none"> i) (October 2009 – September 2012) (Oct 2012 with ICB Indonesia) AGICB Banking Group [Group Chief Executive Officer of ICB Financial Group Holdings] ii) (January 2009 – August 2009) Platinum Capital Management (Asia) Pte Ltd, Singapore [Executive Director/Head of Business Development Asia] iii) (January 2007 – November 2008) DBS Bank, Singapore [Senior Vice President/Head – Malaysia Coverage Private Banking] iv) (March 2002 – December 2006) AmInvestment Bank Berhad [Director/Head, Private Banking] v) (April 1995 – December 2001) HLB Unit Trust Management Bhd [Chief Executive Officer] vi) (April 1994 – March 1995) Hong Leong Bank Berhad (Ex-Hong Leong Finance) [Chief Project Manager/Credit Manager] vii) (January 1994 – April 1994) United Merchant Finance Berhad [Special Assistant to Executive Chairman] viii) (June 1992 – December 1993) Hong Leong Management Company Sdn Bhd [Senior Analyst (Executive Chairman’s Office)] ix) (January 1991 – June 1992) Corporate Care Division, PricewaterhouseCoopers [Consulting Manager]
Occupation	: Director
Date of appointment	: 15 December 2014
Directorship of other public companies	: Nil
Number of Board meeting attended for the financial period (From 1 January 2016 to 31 March 2016)	: One (1)
Member of any other Board Committee	: Investment Committee and Audit Committee of Directors (Independent)

Date of appointment to the Investment Committee	: 15 December 2014
Number of Investment Committee meeting attended for the financial year period (From 1 January 2016 to 31 March 2016)	: Two (2)
Family relationship with any director	: None
Conflict of interest with the Fund	: None
List of convictions for offences within the past 10 years (if any)	: None

Name	: Sum Leng Kuang
Age	: 61 years old
Nationality	: Malaysian
Qualification	: i) Bachelor of Commerce (Finance), University of Canterbury, New Zealand ii) Certified Financial Planner, Financial Planning Association of Malaysia
Executive/Non-Executive Director	: Non-Executive Director
Independent/Non-Independent Director	: Independent Director
Working Experience	: i) (May 1982- September 2001) Overseas Assurance (M) Berhad Deputy Head, Investment ii) (September 2001-December 2011) Great Eastern Life Assurance (M) Berhad [Last position as Senior Vice President & Head Fixed Income Investment] iii) (January 2012-April 2013) Great Eastern Life Assurance (M) Berhad [Senior Vice President & Advisor, Fixed Income Investment] iv) (May 2013-July 2014) Hong Leong Asset Management Berhad [Chief Investment Officer of Fixed Income & Acting Chief Executive Officer] v) (May 2015-Present) Credit Guarantee Corporation Malaysia Berhad [Advisor, Investment (Contract)]
Occupation	: Advisor, Investment (Contract) of Credit Guarantee Corporation Malaysia Berhad
Date of appointment	: 18 January 2016
Directorship of other public companies	: Pacific & Orient Insurance Co Berhad

Number of Board meeting attended for the financial period (From 1 January 2016 to 31 March 2016)	: Nil
Member of any other Board Committee	: i) Investment Committee ii) Audit Committee of Directors
Date of appointment to the Investment Committee	: 18 January 2016
Number of Investment Committee meetings attended for the financial period (From 1 January 2016 to 31 March 2016)	: One (1)
Family relationship with any director	: None
Conflict of interest with the Fund	: None
List of convictions for offences within the past 10 years (if any)	: None

Name	: Datin Maznah binti Mahbob
Age	: 57 years old
Nationality	: Malaysian
Qualification	: i) Degree, The Institute of Chartered Secretaries and Administrators, United Kingdom ii) Capital Markets Services Representative's Licence holder, Malaysia
Executive/Non-Executive Director	: Executive Director
Independent/Non-Independent Director	: Non-Independent Director
Working Experience	: She has been in the funds management industry since Year 1987, in a fund management role, before assuming the responsibility as the Chief Executive Officer of Funds Management Division, AmInvestment Bank Group in Year 2002. Prior to this, she was in the Corporate Finance Department of AmFunds Management Berhad (formerly known as AmInvestment Services Berhad) for 3 years.
Occupation	: Chief Executive Officer of Funds Management Division and Chief Executive Officer/Executive Director of AmFunds Management Berhad (formerly known as AmInvestment Services Berhad)
Date of appointment	: 29 December 2005
Directorship of other public companies	: None
Number of Board meeting attended for the financial period (From 1 January 2016 to 31 March 2016)	: One (1)
Member of any other Board Committee	: Investment Committee (Non-Independent)
Date of appointment to the Investment Committee	: 17 August 2015

Number of Investment Committee meeting attended for the financial period (From 1 January 2016 to 31 March 2016)	: Two (2)
Family relationship with any director	: None
Conflict of interest with the Fund	: None
List of convictions for offences within the past 10 years (if any)	: None

Name	: Harinder Pal Singh a/l Joga Singh
Age	: 54 years old
Nationality	: Malaysian
Qualification	: Bachelor Degree in Accounting, University of Malaya, Malaysia
Executive/Non-Executive Director	: Executive Director
Independent/Non-Independent Director	: Non-Independent Director
Working Experience	: <ul style="list-style-type: none"> i) (1986 – 1993) Bank Negara Malaysia [Senior Administrative Officer, Insurance Inspection Department] ii) (1993 – 1995) Securities Commission Malaysia [Assistant Manager, Market Surveillance Department] iii) (1995 – 1998) Arab-Malaysian Securities Sdn Bhd [Seconded to PT Arab-Malaysian Capital Indonesia as Director of Operations] iv) (1998 – 2000) AmMerchant Bank Berhad [Manager, Corporate Services] v) AmFunds Management Berhad (formerly known as AmInvestment Services Berhad) <ul style="list-style-type: none"> • (July 2001 – June 2002) Manager, Client Service & Operations • (July 2002 – 2003) Senior Manager, Client Service & Operations • (2003-December 2006) Head, Sales Services • (Present) Principal Officer / Senior Vice President of Operations
Occupation	: Senior Vice President, Operations of AmFunds Management Berhad (formerly known as AmInvestment Services Berhad)
Date of appointment	: 22 September 2008 [resigned on 18 January 2016]

Directorship of other public companies	: Federation of Investment Managers Malaysia
Number of Board meeting attended for the financial period (From 1 January 2016 to 31 March 2016)	: Nil
Member of any other Board Committee	: Investment Committee (Non-Independent)
Date of appointment to the Investment Committee	: 12 July 2005 [resigned on 18 January 2016]
Number of Investment Committee meeting attended for the financial period (From 1 January 2016 to 31 March 2016)	: Nil
Family relationship with any director	: None
Conflict of interest with the Fund	: None
List of convictions for offences within the past 10 years (if any)	: None

Name	: Mohd Fauzi bin Mohd Tahir
Age	: 48 years old
Nationality	: Malaysian
Qualification	: i) The Chartered Association of Certified Accountants, Emile Woolf College of Accountancy, England. ii) Bachelor of Arts (Hons) in Accounting & Finance, Leeds Metropolitan University, England. iii) General Certificate of Education Examination – Advanced Level of University of London, MARA Institute of Technology, Malaysia. iv) Capital Markets Services Representative’s Licence holder, Malaysia
Executive/Non-Executive Director	: Non-Executive Director
Independent/Non-Independent Director	: Non-Independent Director
Working Experience	: i) (April 1993 – September 1994) Oriental Bank Berhad [Internal Audit Executive] ii) (October 1994 – November 1996) Aseanbankers Malaysia Berhad Investment Executive

	<p>iii) (December 1996 – January 2004) Eastern Life Assurance (Malaysia) Berhad Assistant Vice President, Investment – Equities, Great</p> <p>iv) (February 2004 – August 2005) American International Assurance Company, Limited Senior Manager, Investment – Fund Management</p> <p>v) (August 2005 – February 2009) AmInvestment Management Sdn Bhd Head of Islamic Equities</p> <p>vi) March 2009 – Present AmIslamic Funds Management Sdn Bhd Senior Vice President, Islamic Equities</p>
Occupation	: Executive Director/Senior Vice President, Islamic Equities, AmIslamic Funds Management Sdn Bhd
Date of appointment	: 1 December 2014 [resigned on 18 January 2014]
Directorship of other public companies	: Nil
Number of Board meeting attended for the financial period (From 1 January 2016 to 31 March 2016)	: Nil
Member of any other Board Committee	: Nil
Date of appointment to the Investment Committee	: Not applicable
Number of Investment Committee meeting attended for the financial period (From 1 January 2016 to 31 March 2016)	: Not applicable
Family relationship with any director	: None
Conflict of interest with the Fund	: None
List of convictions for offences within the past 10 years (if any)	: None

Investment Committee

The Investment Committee, of which more than one-third are independent members, exercise ultimate select appropriate strategies and efficiently implemented to achieve the proper performance, actively monitor, measure and evaluate the fund management performance of the Manager. For the financial period (1 January 2016 to 31 March 2016), there were two (2) Investment Committee meetings held by the Manager.

- Madam Sum Leng Kuang (profile as mentioned above)
- Encik Mustafa bin Mohd Nor (profile as mentioned above)
- Mr Tai Terk Lin (profile as mentioned above)
- Dr Frank Richard Ashe (profile as mentioned below)
- Y Bhg Datin Maznah binti Mahbob (profile as mentioned above)
- Mr Harinder Pal Singh a/l Joga Singh (profile as mentioned above)
- Y Bhg Dato' Mohd Effendi bin Abdullah (profile as mentioned below)

Name	: Dato' Mohd Effendi bin Abdullah
Age	: 54
Nationality	: Malaysian
Qualification	: Bachelor of Economics (major in Accounting and Financial Management), Macquarie University, Australia.
Executive/Non-Executive Director	: Not applicable
Independent/Non-Independent Director	: Not applicable
Working Experience	: AmInvestment Bank Berhad <ul style="list-style-type: none"> • Corporate Banking (1985 – 1993) • Islamic Markets (1993 - present)
Occupation	: Senior Vice President, Islamic Markets of AmInvestment Bank Berhad.
Directorship of other public companies	: Islamic Banking and Finance Institute Malaysia (IBFIM)
Member of any other Board Committee	: None
Date of appointment to the Investment Committee	: 2 September 2013 [resigned on 20 January 2016]
Number of Investment Committee meeting attended for the financial period (From 1 January 2016 to 31 March 2016)	: Nil
Family relationship with any director	: None
Conflict of interest with the Fund	: None
List of convictions for offences within the past 10 years (if any)	: None

Name	: Dr. Frank Richard Ashe
Age	: 62 years old
Nationality	: Australian
Qualification	: i) Doctor of Philosophy in Operations Research, University of New South Wales, Australia ii) Bachelor of Arts, (First Class Honours), majoring in Actuarial Studies, Statistics, Pure Mathematics and Applied Mathematics, Macquarie University, Australia
Executive/Non-Executive Director	: Not applicable
Independent/Non-Independent Director	: Not applicable
Working Experience	: i) (January 2007 – ongoing) Independent Consultant ii) Executive Education iii) (Full Time : January 2002 – December 2006) (Part Time : January 2007 – December 2014) Macquarie University Associate Professor – Applied Finance Centre iv) (September 1999 – December 2001) Manulife Financial - Elliott & Page Asset Management Senior Advisor, Market Risk Management v) (May 1999 – September 1999) Freelance Consulting vi) (August 1996 – May 1999) Structured Investments Group Portfolio Manager, County Investment Management vii) (1997 – 2001) Macquarie University Visiting Fellow, Macquarie Applied Finance Centre viii) (1997) University of Technology, Sydney : School of Economics Visiting Lecturer, Master of Business in Finance ix) April 1995 – July 1996 Condell Vann & Co. Executive Director x) (October 1993 – 1995) (July 1989 – April 1995) Quantitative Strategist Legal & General Asset Management, Australia Executive Director

	<p>xi) September 1986 – June 1989 IFTTC and related subsidiary companies : Equity Systems Limited (ESL), Giltnet, (software companies) Australian Gilt Options, (futures option market makers) Australian Gilt Securities (now Rand Merchant Bank, fixed interest dealers), Australian Gilt Funds Management</p> <p>xii) 1980 - 1986 Mercer Campbell Cook and Knight, formerly E.S. Knight & Co. Consultant and earlier as technical assistant</p> <p>xiii) 1975 – 1980 Macquarie and New South Wales Universities Part time tutor in Statistics, Mathematics, and Mechanical Engineering</p>
Occupation	: Independent Consultant
Directorship of other public companies	: None
Member of any other Board Committee	: None
Date of appointment to the Investment Committee	: 16 February 2015
Number of Investment Committee meeting attended for the financial period (From 1 January 2016 to 31 March 2016)	: One (1)
Family relationship with any director	: None
Conflict of interest with the Fund	: None
List of convictions for offences within the past 10 years (if any)	: None

Material Litigation

For the financial period under review, neither the Directors of the management company nor the Manager of the Fund were engaged in any material litigation and arbitration, including those pending or threatened, and any facts likely to give any proceedings, which might materially affect the business/financial position of the Manager and of its delegates. The Fund has also not engaged in any material litigation and arbitration, including those pending or threatened, and any facts likely to give any proceedings, which might materially affect the Fund.

Manager

Previously, we have appointed AmInvestment Management Sdn Bhd (“AIM”) to implement the Fund’s investment strategy on behalf of us to achieve the objectives of the Fund. However, following the consolidation of business activities of AmFunds Management Berhad (formerly known as AmInvestment Services Berhad) (“AFM”) and AIM on 1 December 2014, AFM has acquired/assume the obligations, undertaking, commitments and contingencies of AIM. Effective 1 December 2014, AFM is a licensed fund manager approved by the Securities Commission Malaysia and manages the Fund.

Investment Committee

The Investment Committee reviews the Fund’s investment objective and guidelines; and to ensure that the Fund is invested appropriately. For the financial period (1 January 2016 to 31 March 2016), there were Two (2) Investment Committee meetings held by the Manager.

Unitholders

List of the unit holders having the largest number of units:

NAME	Number of Unit Held	Unit Held (%)
HSBC NOMINEES (ASING) SDN BHD	751,457,870	59.38398%
HSBC NOMINEES (ASING) SDN BHD	390,694,500	30.87465%
AMSEC NOMINEES (TEMPATAN) SDN BHD	117,516,000	9.28671%
AMINVESTMENT BANK BERHAD	2,772,230	0.21908%
DB (MALAYSIA) NOMINEE (ASING) SDN BHD	2,300,000	0.18176%
CITIGROUP NOMINEES (ASING) SDN BHD	400,000	0.03161%
CITIGROUP NOMINEES (ASING) SDN BHD	140,000	0.01106%
AFFIN HWANG NOMINEES (ASING) SDN. BHD.	65,000	0.00514%
PUBLIC NOMINEES (TEMPATAN) SDN BHD	15,000	0.00119%
TEE KAR YONG	10,500	0.00083%
JAY SURIAR A/L RAJASURIAR	9,600	0.00076%
MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD	6,000	0.00047%
MELVIN WON SOON LOONG	5,000	0.00040%
WONG SOOK YEE	3,600	0.00028%
JOHN MELVILLE KAYES NEWMAN	3,500	0.00028%
WONG SOOK KENG	3,100	0.00024%
CHA KAR HUEI	3,000	0.00024%
LAU KAI CHONG	3,000	0.00024%
GRACE CHRYSTAL GOH YEE HING	2,300	0.00018%
HO YEEN FEY	2,000	0.00016%
CHONG YAM SONG	1,000	0.00008%
CIMSEC NOMINEES (TEMPATAN) SDN BHD	1,000	0.00008%
K.VIJAYAN A/L G.KERISNAN	1,000	0.00008%
KOH AH KOW @ KOH BOON KWEE	1,000	0.00008%
MAYBANK NOMINEES (TEMPATAN) SDN BHD	1,000	0.00008%
MAYBANK NOMINEES (TEMPATAN) SDN BHD	1,000	0.00008%
GARY CHEW KIEW SENG	700	0.00006%
CHOK SIEW KWONG	500	0.00004%
MAYBANK NOMINEES (TEMPATAN) SDN BHD	300	0.00002%
MAYBANK NOMINEES (TEMPATAN) SDN BHD	300	0.00002%

ABF Malaysia Bond Index Fund**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016**

	Note	31-3-2016 (unaudited) RM	31-12-2015 (audited) RM
ASSETS			
Investments	4	1,358,592,715	1,312,223,284
Deposits with financial institutions	5	14,380,440	29,527,721
Amount due from Manager	6	-	358,332
Cash at banks		1,383	1,340
		<u>1,372,974,538</u>	<u>1,342,110,677</u>
TOTAL ASSETS			
LIABILITIES			
Amount due to Manager	6	115,891	-
Amount due to Trustee	7	57,945	46,389
Amount due to index provider	8	42,550	91,581
Sundry payables and accrued expenses		90,339	96,514
		<u>306,725</u>	<u>234,484</u>
TOTAL LIABILITIES			
EQUITY			
Unitholders' capital	11(a)	1,325,924,353	1,325,924,353
Retained earnings	11(b)(c)	46,743,460	15,951,840
		<u>1,372,667,813</u>	<u>1,341,876,193</u>
TOTAL EQUITY			
TOTAL EQUITY AND LIABILITIES			
		<u>1,372,974,538</u>	<u>1,342,110,677</u>
UNITS IN CIRCULATION			
	11(a)	<u>1,265,421,800</u>	<u>1,265,421,800</u>
NET ASSET VALUE PER UNIT – EX DISTRIBUTION			
		<u>108.48 sen</u>	<u>106.04 sen</u>

The accompanying notes form an integral part of the financial statements.

ABF Malaysia Bond Index Fund

STATEMENT OF COMPREHENSIVE INCOME *(Unaudited)* FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2016

	Note	1-1-2016 to 31-3-2016 RM	1-1-2015 to 31-3-2015 RM
INVESTMENT INCOME			
Interest income		12,937,496	6,469,640
Net gain from investments:			
– Financial assets at fair value through profit or loss (“FVTPL”)	9	<u>18,635,417</u>	<u>7,458,933</u>
Gross Income		<u>31,572,913</u>	<u>13,928,573</u>
EXPENDITURE			
Manager’s fee	6	338,068	170,839
Trustee’s fee	7	169,034	85,420
Licence fee	8	19,367	25,315
Auditors’ remuneration		1,914	1,899
Tax agent’s fee		1,243	740
Other expenses	10	<u>251,667</u>	<u>1,625</u>
Total Expenditure		<u>781,293</u>	<u>285,838</u>
NET INCOME BEFORE TAX		30,791,620	13,642,735
LESS: INCOME TAX	13	<u>-</u>	<u>-</u>
NET INCOME AFTER TAX		30,791,620	13,642,735
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		<u><u>30,791,620</u></u>	<u><u>13,642,735</u></u>
Total comprehensive income comprises the following:			
Realised income		10,470,149	5,315,271
Unrealised gain		<u>20,321,471</u>	<u>8,327,464</u>
		<u><u>30,791,620</u></u>	<u><u>13,642,735</u></u>

The accompanying notes form an integral part of the financial statements.

ABF Malaysia Bond Index Fund

STATEMENT OF COMPREHENSIVE INCOME *(Unaudited)* FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2016

	Unitholders' capital RM	(Accumulated loss)/ retained earnings RM	Total equity RM
At 1 January 2015	693,348,293	(7,453,855)	685,894,438
Total comprehensive income for the financial period	<u>-</u>	<u>13,642,735</u>	<u>13,642,735</u>
Balance at 31 March 2015	<u>693,348,293</u>	<u>6,188,880</u>	<u>699,537,173</u>
At 1 January 2016	1,325,924,353	15,951,840	1,341,876,193
Total comprehensive income for the financial period	<u>-</u>	<u>30,791,620</u>	<u>30,791,620</u>
Balance at 31 March 2016	<u>1,325,924,353</u>	<u>46,743,460</u>	<u>1,372,667,813</u>

The accompanying notes form an integral part of the financial statements.

ABF Malaysia Bond Index Fund**STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2016**

	1-1-2016 to 31-3-2016 RM	1-1-2015 to 31-3-2015 RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		
Proceeds from sale of investments	98,678,000	49,879,000
Interest received	13,188,982	6,576,070
Manager's fee paid	(314,955)	(172,742)
Trustee's fee paid	(157,478)	(86,371)
Licence fee paid	(68,398)	(25,537)
Payments for other expenses	(260,999)	(1,836)
Purchase of investments	<u>(126,663,500)</u>	<u>(41,290,000)</u>
Net cash (used in)/generated from operating and investing activities	<u>(15,598,348)</u>	<u>14,878,584</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from creation of units	451,110	-
Distribution paid	<u>-</u>	<u>(26,416,872)</u>
Net cash generated from/(used in) financing activities	<u>451,110</u>	<u>(26,416,872)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(15,147,238)	(11,538,288)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	<u>29,529,061</u>	<u>23,530,661</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u><u>14,381,823</u></u>	<u><u>11,992,373</u></u>
Cash and cash equivalents comprise:		
Deposits with financial institutions	14,380,440	11,990,915
Cash at banks	<u>1,383</u>	<u>1,458</u>
	<u><u>14,381,823</u></u>	<u><u>11,992,373</u></u>

The accompanying notes form an integral part of the financial statements.

ABF Malaysia Bond Index Fund

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

ABF Malaysia Bond Index Fund (“the Fund”) was established pursuant to a Deed dated 12 July 2005 as amended by Deeds Supplemental thereto (“the Deed”), between AmFunds Management Berhad (formerly known as AmInvestment Services Berhad) as the Manager, HSBC (Malaysia) Trustee Berhad as the Trustee and all unitholders.

The Fund was set up with the objective for investors who seek an “index-based” approach to investing in a portfolio of Ringgit Malaysia denominated Government and quasi-Government debt securities. As provided in the Deeds, the “accrual period” or financial year shall end on 31 December and the units in the Fund were first offered for sale on 13 July 2005.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Fund have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) as issued by the Malaysian Accounting Standards Board (“MASB”) and are in compliance with International Financial Reporting Standards.

The financial statements of the Fund have been prepared under the historical cost convention, unless otherwise stated in the accounting policies.

Standards effective during the financial period

The adoption of MFRS which have been effective during the financial period did not have any material financial impact to the financial statements.

Standards issued but not yet effective

As at the date of authorisation of these financial statements, the following Standards have been issued by MASB but are not yet effective and have not been adopted by the Fund.

	Effective for financial periods beginning on or after
MFRS 9: Financial Instruments	1 January 2018
MFRS 15: Revenue from contracts with Customers	1 January 2018

The Fund plans to adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are expected to have no significant impact to the financial statements of the Fund upon their initial application except as described below:

MFRS 9 Financial Instruments

MFRS 9 reflects International Accounting Standards Board's ("IASB") work on the replacement of MFRS 139 Financial Instruments: Recognition and Measurement ("MFRS 139"). MFRS 9 has a mandatory effective date of 1 January 2018 and early adoption is allowed. The Fund is in the process of quantifying the impact of the first adoption of MFRS 9.

Goods and Services Tax

The Goods and Services Tax ("GST") was implemented in Malaysia effective 1 April 2015. The Fund is classified under "Exempt Supply" and is therefore not required to register for GST. Effective from 1 April 2015, fees and expenses incurred by the Fund, where relevant, are recognised in the Statement of Comprehensive Income excluding 6% GST charged by the respective suppliers of services. The 6% GST incurred will be recognised as other expenses in the Statement of Comprehensive Income.

3. SIGNIFICANT ACCOUNTING POLICIES

Income recognition

Income is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the income can be reliably measured. Income is measured at the fair value of consideration received or receivable.

Interest income on fixed income securities and short-term deposits are recognised on an accrual basis using the effective interest method, which includes the accretion of discounts and amortisation of premiums.

Income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Functional and presentation currency

Functional currency is the currency of the primary economic environment in which the Fund operates that most faithfully represents the economic effects of the underlying transactions. The functional currency of the Fund is Ringgit Malaysia which reflects the currency in which the Fund competes for funds, issues and redeems units. The Fund has also adopted Ringgit Malaysia as its

Statement of cash flows

The Fund adopts the direct method in the preparation of the statement of cash flows.

Cash equivalents are short-term, highly liquid investments that are readily convertible to cash with insignificant risk of changes in value.

Distribution

Distributions are at the discretion of the Fund. A distribution to the Fund's unitholders is accounted for as a deduction from realised reserves except where distribution is sourced out of distribution/loss equalisation which is accounted for as a deduction from/addition to unitholders' capital. A proposed distribution is recognised as a liability in the period in which it is approved.

Unitholders' capital

The unitholders' capital of the Fund meets the definition of puttable instruments and is classified as equity instruments under MFRS 132 Financial Instruments: Presentation ("MFRS 132").

Distribution/loss equalisation

Distribution/loss equalisation represents the average distributable amount included in the creation and cancellation prices of units. This amount is either refunded to unitholders by way of distribution and/or adjusted accordingly when units are cancelled.

Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Fund determines the classification of its financial assets at initial recognition, and the categories applicable to the Fund include financial assets at fair value through profit or loss ("FVTPL") and loans and receivables.

(i) Financial assets at FVTPL

Financial assets are classified as financial assets at FVTPL if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading by the Fund include fixed income securities acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Changes in the fair value of those financial instruments are recorded in 'Net gain or loss on financial assets at fair value through profit or loss'. Interest earned element of such instrument is recorded separately in 'Interest income'.

Investments are stated at fair value on a portfolio basis in accordance with the provisions of the Deed, fair value is determined based on prices provided by the index provider, Markit Indices Limited, plus accrued interest. Adjusted cost of investments relates to the purchase cost plus accrued interest, adjusted for amortisation of premium and accretion of discount, if any, calculated over the period from the date of acquisition to the date of maturity of the respective securities as approved by the Manager and the Trustee. Unrealised gain or loss recognised in profit or loss is not distributable in nature.

On disposal of investments, the net realised gain or loss on disposal is measured as the difference between the net disposal proceeds and the carrying amount of the investments. The net realised gain or loss is recognised in profit or loss.

(ii) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Impairment of financial assets

The Fund assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) Loans and receivables carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Fund considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced through the use of an allowance account. When loans and receivables become uncollectible, they are written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

The Fund's financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Classification of realised and unrealised gains and losses

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of prior period's unrealised gains and losses for financial instruments which were realised (i.e. sold, redeemed or matured) during the reporting period.

Realised gains and losses on disposals of financial instruments classified at fair value through profit or loss are calculated using the weighted average method. They represent the difference between an instrument's initial carrying amount and disposal amount.

Significant accounting estimates and judgments

The preparation of the Fund's financial statements requires the Manager to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability in the future.

The Fund classifies its investments as financial assets at FVTPL as the Fund may sell its investments in the short-term for profit-taking or to meet unitholders' cancellation of units.

No major judgments have been made by the Manager in applying the Fund's accounting policies. There are no key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

4. INVESTMENTS

	31-3-2016	31-12-2015
	RM	RM
Financial assets at FVTPL		
At nominal value:		
Corporate bonds (low risk asset as accorded by Bank Negara Malaysia)	-	10,000,000
Quasi-Government Bonds (low risk asset as accorded by Bank Negara Malaysia)	40,000,000	85,000,000
Malaysian Government Securities	757,500,000	777,500,000
Government Investment Issues	535,000,000	435,000,000
	<u>1,332,500,000</u>	<u>1,307,500,000</u>
At fair value:		
Corporate bonds (low risk asset as accorded by Bank Negara Malaysia)	-	10,175,375
Quasi-Government Bonds (low risk asset as accorded by Bank Negara Malaysia)	44,398,608	86,703,608
Malaysian Government Securities	771,530,672	781,786,072
Government Investment Issues	542,663,435	433,558,229
	<u>1,358,592,715</u>	<u>1,312,223,284</u>

Details of investments as at 31 March 2016 are as follows:

Maturity date	Issuer	Credit rating	Nominal value RM	Fair value RM	Adjusted cost RM	Fair value as a percentage of net asset value %
Quasi-Government Bonds (low risk asset as accorded by Bank Negara Malaysia)						
12.03.2019	Prasarana Malaysia Berhad	NR	5,000,000	5,047,060	5,039,261	0.37
27.05.2039	1Malaysia Development Berhad	NR	35,000,000	39,351,548	39,375,942	2.86
			40,000,000	44,398,608	44,415,203	3.23
Malaysian Government Securities						
15.03.2017	Government of Malaysia	NR	20,000,000	20,165,358	19,967,802	1.47
31.10.2017	Government of Malaysia	NR	20,000,000	20,429,450	20,283,087	1.49
01.03.2018	Government of Malaysia	NR	40,000,000	40,217,848	39,881,274	2.93
15.03.2019	Government of Malaysia	NR	65,000,000	66,081,372	65,862,078	4.81
30.07.2019	Government of Malaysia	NR	10,000,000	10,822,434	10,725,023	0.79
31.10.2019	Government of Malaysia	NR	50,000,000	51,223,762	50,687,248	3.73
29.11.2019	Government of Malaysia	NR	20,000,000	20,961,876	20,835,659	1.53
31.03.2020	Government of Malaysia	NR	40,000,000	40,091,816	40,346,805	2.92
31.07.2020	Government of Malaysia	NR	10,000,000	10,219,351	10,199,888	0.75
15.10.2020	Government of Malaysia	NR	95,000,000	97,612,061	96,806,657	7.11
30.09.2021	Government of Malaysia	NR	30,000,000	30,615,318	30,277,669	2.23
30.09.2022	Government of Malaysia	NR	52,500,000	52,778,444	51,972,479	3.84
15.07.2024	Government of Malaysia	NR	70,000,000	71,984,110	70,955,628	5.24
15.09.2025	Government of Malaysia	NR	72,500,000	73,531,460	71,261,370	5.36
15.04.2026	Government of Malaysia	NR	25,000,000	26,129,500	26,628,990	1.90
15.03.2027	Government of Malaysia	NR	10,000,000	9,780,979	10,165,486	0.71

(Forward)

Maturity date	Issuer	Credit rating	Nominal value RM	Fair value RM	Adjusted cost RM	Fair value as a percentage of net asset value %
Malaysian Government Securities						
15.06.2028	Government of Malaysia	NR	45,000,000	43,466,193	42,669,776	3.17
15.04.2030	Government of Malaysia	NR	52,500,000	55,160,147	53,488,956	4.02
15.04.2033	Government of Malaysia	NR	10,000,000	9,538,496	10,028,662	0.70
30.09.2043	Government of Malaysia	NR	20,000,000	20,720,697	20,498,549	1.51
			757,500,000	771,530,672	763,543,086	56.21
Government Investment Issues						
15.06.2017	Government of Malaysia	NR	5,000,000	5,113,646	5,067,548	0.37
30.08.2017	Government of Malaysia	NR	30,000,000	30,201,270	30,015,703	2.20
23.11.2017	Government of Malaysia	NR	20,000,000	20,436,714	20,329,855	1.49
15.05.2018	Government of Malaysia	NR	52,500,000	53,510,095	53,204,346	3.90
30.08.2018	Government of Malaysia	NR	20,000,000	20,304,079	20,232,286	1.48
30.04.2019	Government of Malaysia	NR	30,000,000	30,528,715	30,284,078	2.22
13.08.2019	Government of Malaysia	NR	10,000,000	10,151,419	10,176,317	0.74
15.05.2020	Government of Malaysia	NR	20,000,000	20,215,182	20,326,889	1.47
27.08.2020	Government of Malaysia	NR	115,000,000	115,924,575	114,856,369	8.44
23.03.2021	Government of Malaysia	NR	30,000,000	30,102,264	29,569,921	2.19
30.04.2021	Government of Malaysia	NR	10,000,000	10,387,041	10,458,718	0.76
26.08.2021	Government of Malaysia	NR	20,000,000	20,147,784	20,156,675	1.47
15.07.2022	Government of Malaysia	NR	30,000,000	30,791,158	30,224,226	2.24
07.07.2023	Government of Malaysia	NR	20,000,000	20,816,466	20,807,896	1.52
31.10.2023	Government of Malaysia	NR	10,000,000	9,827,902	9,700,504	0.72

(Forward)

Maturity date	Issuer	Credit rating	Nominal value RM	Fair value RM	Adjusted cost RM	Fair value as a percentage of net asset value %
Government Investment Issues						
22.05.2024	Government of Malaysia	NR	20,000,000	20,904,649	20,637,616	1.52
15.10.2025	Government of Malaysia	NR	52,500,000	53,107,076	52,083,890	3.87
15.06.2027	Government of Malaysia	NR	20,000,000	19,462,105	20,462,448	1.42
06.12.2028	Government of Malaysia	NR	10,000,000	10,692,014	10,485,071	0.78
30.08.2033	Government of Malaysia	NR	10,000,000	10,039,281	9,872,184	0.73
			<u>535,000,000</u>	<u>542,663,435</u>	<u>538,952,540</u>	<u>39.53</u>
Total financial assets at FVTPL			<u>1,332,500,000</u>	<u>1,358,592,715</u>	<u>1,346,910,829</u>	<u>98.97</u>
Excess of fair value over cost				<u>11,681,886</u>		

The weighted average effective yield on unquoted investments are as follows:

	Effective yield*	
	31-3-2016	31-12-2015
	%	%
Corporate bond	-	3.95
Quasi-Government Bonds	4.84	4.72
Malaysian Government Securities	3.53	3.68
Government Investment Issues	<u>3.58</u>	<u>3.85</u>

* As provided by Markit Indices Limited.

Analyses of the remaining maturity of unquoted investments as at 31 March 2016 and 31 December 2015 are as follows:

	Less than 1 year RM	1 year to 5 years RM	More than 5 years RM
2016			
At nominal value:			
Quasi-Government Bonds	-	5,000,000	35,000,000
Malaysian Government Securities	20,000,000	350,000,000	387,500,000
Government Investment Issues	-	332,500,000	202,500,000
		<u>337,500,000</u>	<u>589,500,000</u>

(Forward)

	Less than 1 year RM	1 year to 5 years RM	More than 5 years RM
2015			
At nominal value:			
Corporate bond	-	10,000,000	-
Quasi-Government Bonds	-	-	85,000,000
Malaysian Government Securities	-	410,000,000	367,500,000
Government Investment Issues	-	262,500,000	172,500,000

5. DEPOSITS WITH FINANCIAL INSTITUTIONS

	31-3-2016 RM	31-12-2015 RM
At nominal value:		
Short-term deposits with licensed banks	<u>14,379,100</u>	<u>29,524,000</u>
At carrying value:		
Short-term deposits with licensed banks	<u>14,380,440</u>	<u>29,527,721</u>

Details of deposit with financial institution as at 31 March 2016 are as follows:

Maturity date	Bank	Nominal value RM	Carrying value RM	Purchase cost RM	Carrying value as a percentage of net asset value %
Short-term deposit with a licensed bank					
01.04.2016	Public Bank Berhad	<u>14,379,100</u>	<u>14,380,440</u>	<u>14,379,100</u>	<u>1.05</u>

The weighted average effective interest rate and average remaining maturity of short-term deposits are as follows:

	Weighted average effective interest rate		Remaining maturity	
	31-3-2016 %	31-12-2015 %	31-3-2016 Day	31-12-2015 Days
Short-term deposits with licensed banks	<u>3.40</u>	<u>4.60</u>	<u>1</u>	<u>4</u>

6. **AMOUNT DUE (TO)/FROM MANAGER**

	31-3-2016	31-12-2015
	RM	RM
Creation of units*	-	451,110
Manager's fee payable	(115,891)	(92,778)
	<u>(115,891)</u>	<u>358,332</u>

* The amount represents amount receivable from the Manager for units created.

Manager's fee was charged at a rate of 0.10% (2015: 0.10%) per annum on the net asset value of the Fund, calculated on a daily basis.

The normal credit period in the previous financial year and current financial period for creation of units is three business days.

The normal credit period in the previous financial year and current financial period for Manager's fee payable is one month.

7. **AMOUNT DUE TO TRUSTEE**

The Trustee's fee was charged at a rate of 0.05% (2015: 0.05%) per annum on the net asset value of the Fund, calculated on a daily basis.

The normal credit period in the previous financial year and current financial period for Trustee's fee payable is one month.

8. **AMOUNT DUE TO INDEX PROVIDER**

Amount due to index provider is the licence fee payable to Markit Indices Limited, the provider of the benchmark index.

Licence fee is calculated on a daily basis at the following rate:

Fund Size	% p.a.
From 1 July 2008 onwards	
For amount equal to or less than Initial Funding	0.0175
For amount above Initial Funding, but equal to or less than 275% of Initial Funding	0.01
For amount above 275% of Initial Funding	No charge

Subject to a minimum annual fee of USD21,234

* Initial Funding for the Fund was USD115,400,000.

9. NET GAIN FROM INVESTMENTS

	1-1-2016 to 31-3-2016 RM	1-1-2015 to 31-3-2015 RM
Net gain on financial assets at FVTPL comprised:		
– Net realised loss on sale of investments	(1,686,054)	(868,531)
– Net unrealised gain on changes in fair values of investments	20,321,471	8,327,464
	<u>18,635,417</u>	<u>7,458,933</u>

10. OTHER EXPENSES

Included in other expenses is Goods and Services Tax incurred by the Fund during the financial period amounting to RM11,492 (2015: nil).

11. TOTAL EQUITY

Total equity is represented by:

	Note	31-3-2016 RM	31-12-2015 RM
Unitholders' capital	(a)	1,325,924,353	1,325,924,353
Retained earnings			
– Realised income	(b)	35,061,574	24,591,425
– Unrealised gain/(loss)	(c)	11,681,886	(8,639,585)
		<u>1,372,667,813</u>	<u>1,341,876,193</u>

(a) UNITHOLDERS' CAPITAL/UNITS IN CIRCULATION

	31-3-2016		31-12-2015	
	Number of units	RM	Number of units	RM
At beginning of the financial period/year	1,265,421,800	1,325,924,353	660,421,800	693,348,293
Creation during the financial period/year	-	-	605,000,000	638,536,250
Distributions out of distribution/loss equalisation	-	-	-	(5,960,190)
At end of the financial period/year	<u>1,265,421,800</u>	<u>1,325,924,353</u>	<u>1,265,421,800</u>	<u>1,325,924,353</u>

(b) REALISED – DISTRIBUTABLE

	31-3-2016	31-12-2015
	RM	RM
At beginning of the financial period/year	24,591,425	3,181,692
Total comprehensive income for the financial period/year	30,791,620	29,002,591
Net unrealised gain attributable to investments held transferred to unrealised reserve [Note 11(c)]	(20,321,471)	(1,995,962)
Distributions out of realised reserve	-	(5,596,896)
Net increase in realised reserve for the financial period/year	10,470,149	21,409,733
At end of the financial period/year	<u>35,061,574</u>	<u>24,591,425</u>

(c) UNREALISED – NON-DISTRIBUTABLE

	31-3-2016	31-12-2015
	RM	RM
At beginning of the financial period/year	(8,639,585)	(10,635,547)
Net unrealised gain attributable to investments held transferred from realised reserve [Note 11(b)]	20,321,471	1,995,962
At end of the financial period/year	<u>11,681,886</u>	<u>(8,639,585)</u>

12. UNITS HELD BY RELATED PARTIES

	31-3-2016		31-12-2015	
	Number of units	RM	Number of units	RM
Parties related to the Manager*	<u>120,301,330</u>	<u>130,286,340</u>	<u>181,833,330</u>	<u>191,288,663</u>

* The parties related to the Manager are the legal and beneficial owners of the units. The Manager did not hold any units in the Fund as at 31 March 2016 and 31 December 2015.

13. INCOME TAX

Income tax payable is calculated on investment income less deduction for permitted expenses as provided for under Section 63B of the Income Tax Act, 1967.

Pursuant to Schedule 6 of the Income Tax Act, 1967, local interest income derived by the Fund is exempted from tax.

A reconciliation of income tax expense applicable to net income before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Fund is as follows:

	1-1-2016 to 31-3-2016 RM	1-1-2015 to 31-3-2015 RM
Net income before tax	30,791,620	13,642,735
Taxation at Malaysian statutory rate of 24% (2015: 25%)	7,390,000	3,410,700
Tax effects of:		
Income not subject to tax	(7,982,200)	(3,699,300)
Loss not deductible for tax purposes	404,700	217,100
Restriction on tax deductible expenses for Exchange Traded Funds	73,500	38,900
Non-permitted expenses for tax purposes	105,800	28,300
Permitted expenses not used and not available for future financial periods	8,200	4,300
Tax expense for the financial period	-	-

14. DISTRIBUTION

No distribution was declared by the Fund for the financial periods ended 31 March 2016 and 31 March 2015.

15. MANAGEMENT EXPENSE RATIO (“MER”)

The Fund’s MER is as follows:

	1-1-2016 to 31-3-2016 % p.a.	1-1-2015 to 31-3-2015 % p.a.
Manager’s fee	0.10	0.10
Trustee’s fee	0.05	0.05
Licence fee	0.01	0.02
Fund’s other expenses	0.07	-*
Total MER	0.23	0.17

* represents less than 0.01%

The MER of the Fund is the ratio of the sum of annualised fees and expenses incurred by the Fund to the average net asset value of the Fund calculated on a daily basis.

16. PORTFOLIO TURNOVER RATIO (“PTR”)

The PTR of the Fund, which is the ratio of average total acquisitions and disposals of investments to the average net asset value of the Fund calculated on a daily basis, is 0.08 times (2015: 0.07 times).

17. SEGMENTAL REPORTING

In accordance with the objective of the Fund, substantially all of the Fund's investments are made in the form of fixed income instruments in Malaysia. The Manager is of the opinion that the risk and rewards from these investments are not individually or segmentally distinct and hence the Fund does not have a separately identifiable business or geographical segments.

18. TRANSACTIONS WITH FINANCIAL INSTITUTIONS

Details of transactions with financial institutions for the financial period ended 31 March 2016 are as follows:

Financial institutions	Transaction value	
	RM	%
Public Bank Berhad	636,847,500	67.45
Bank Islam Malaysia Berhad	150,691,666	15.96
CIMB Bank Berhad	80,391,900	8.51
Standard Chartered Bank Malaysia Berhad	61,215,487	6.48
RHB Investment Bank Berhad	10,082,329	1.07
Hong Leong Bank Berhad	5,033,412	0.53
Total	944,262,294	100.00

There was no transaction with financial institutions related to the Manager.

The above transactions were in respect of fixed income instruments and money market deposits. Transactions in these investments do not involve any commission or brokerage.

19. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

The significant accounting policies in Note 3 describe how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities of the Fund in the statement of financial position by the class of financial instrument to which they are assigned, and therefore by the measurement basis.

	Financial assets at FVTPL RM	Loans and receivables at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
31 March 2016				
Assets				
Investments	1,358,592,715	-	-	1,358,592,715
Deposits with financial institutions	-	14,380,440	-	14,380,440
Cash at banks	-	1,383	-	1,383
Total financial assets	1,358,592,715	14,381,823	-	1,372,974,538

(Forward)

	Financial assets at FVTPL RM	Loans and receivables at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
31 March 2016				
Liabilities				
Amount due to Manager	-	-	115,891	115,891
Amount due to Trustee	-	-	57,945	57,945
Amount due to index provider	-	-	42,550	42,550
Sundry payables and accrued expenses	-	-	90,339	90,339
Total financial liabilities	-	-	306,725	306,725
31 December 2015				
Assets				
Investments	1,312,223,284	-	-	1,312,223,284
Deposits with financial institutions	-	29,527,721	-	29,527,721
Amount due from Manager	-	358,332	-	358,332
Cash at banks	-	1,340	-	1,340
Total financial assets	1,312,223,284	29,887,393	-	1,342,110,677
Liabilities				
Amount due to Trustee	-	-	46,389	46,389
Amount due to index provider	-	-	91,581	91,581
Sundry payables and accrued expenses	-	-	96,514	96,514
Total financial liabilities	-	-	234,484	234,484
			Income, expense, gains and losses	
			1-1-2016 to 31-3-2016	1-1-2015 to 31-3-2015
			RM	RM
Net gain from financial assets at FVTPL			18,635,417	7,458,933
Income, of which derived from:				
– Interest income from financial assets at FVTPL			12,833,083	6,371,484
– Interest income from loans and receivables			104,413	98,156

(b) **Financial instruments that are carried at fair value**

The Fund's financial assets and liabilities at FVTPL are carried at fair value.

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair values are observable; either directly or indirectly; or

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by the level of the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
	RM	RM	RM	RM
31 March 2016				
Financial assets at FVTPL	-	1,358,592,715	-	1,358,592,715
31 December 2015				
Financial assets at FVTPL	-	1,312,223,284	-	1,312,223,284

(c) **Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value**

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value due to their short period to maturity or short credit period:

- Deposits with financial institutions
- Amount due from/to Manager
- Cash at banks
- Amount due to Trustee
- Amount due to index provider
- Distribution payable
- Sundry payables and accrued expenses

There were no financial instruments which are not carried at fair values and whose carrying amounts are not reasonable approximation of their respective fair values.

20. RISK MANAGEMENT POLICIES

The Fund is exposed to a variety of risks that include market risk, credit risk, liquidity risk, single issuer risk, regulatory risk, management risk and non-compliance risk.

Risk management is carried out by closely monitoring, measuring and mitigating the above said risks, careful selection of investments coupled with stringent compliance to investment restrictions as stipulated by the Capital Market and Services Act 2007, Securities Commission's Guidelines on Exchange Traded Funds and the Deed as the backbone of risk management of the Fund.

Market risk

Market risk, in general, is the risk that the value of a portfolio would decrease due to changes in market risk factors such as equity prices, foreign exchange rates, interest rates (yield curve) and commodity prices.

Interest rate risk will affect the value of the Fund's investments, given the interest rate movements, which are influenced by regional and local economic developments as well as political developments.

Domestic interest rates on deposits and placements with licensed financial institutions are determined based on prevailing market rates.

A summary of the interest rate sensitivity of the Fund's NAV, or theoretical value (applicable to money market deposit) due to the parallel movement assumption of the yield curve by +100bps and -100bps respectively, is shown below:

Parallel shift in yield curve by:	Sensitivity of the Fund's NAV, or theoretical value	
	2016 RM	2015 RM
+100 bps	(71,396,008)	(35,463,650)
-100 bps	<u>78,228,687</u>	<u>39,354,592</u>

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge an obligation. The Fund invests in fixed income instruments. As such the Fund would be exposed to the risk of bond issuers and financial institutions defaulting on its repayment obligations which in turn would affect the net asset value of the Fund. This risk is mitigated by performing continuous fundamental credit research and analysis to ascertain the creditworthiness of the relevant counterparties.

(a) Credit quality of financial assets

The following table analyses the Fund's portfolio of debt securities by rating category as at 31 March 2016 and 31 March 2015:

Credit rating	RM	As a % of debt securities	As a % of net asset value
2016			
NR*	<u>1,358,592,715</u>	<u>100.00</u>	<u>98.97</u>
2015			
AAA	10,044,444	1.46	1.44
NR*	<u>677,802,010</u>	<u>98.54</u>	<u>96.89</u>
	<u>687,846,454</u>	<u>100.00</u>	<u>98.33</u>

* Non-rated

For deposits with financial institutions, the Fund only makes placements with financial institutions with sound rating. The following table presents the Fund's portfolio of deposits by rating category as at 31 March 2016 and 31 March 2015:

Credit rating	RM	As a % of deposits	As a % of net asset value
2016			
P1/MARC-1	<u>14,380,440</u>	<u>100.00</u>	<u>1.05</u>
2015			
P1/MARC-1	<u>11,990,915</u>	<u>100.00</u>	<u>1.71</u>

Cash at banks are held for liquidity purposes and are not exposed to significant credit risk.

(b) Credit risk concentration

Concentration of risk is monitored and managed based on sectorial distribution. The table below analyses the Fund's portfolio of debt securities by sectorial distribution as at 31 March 2016 and 31 March 2015:

Sector	RM	As a % of debt securities	As a % of net asset value
2016			
Public finance	1,353,545,655	99.63	98.60
Transportation	5,047,060	0.37	0.37
	<u>1,358,592,715</u>	<u>100.00</u>	<u>98.97</u>
2015			
Financial services	45,762,088	6.65	6.55
Sovereign agency	39,763,077	5.78	5.68
Sovereign	552,863,440	80.38	79.03
State government	49,457,849	7.19	7.07
	<u>687,846,454</u>	<u>100.00</u>	<u>98.33</u>

There is no geographical risk as the Fund invests only in investments in Malaysia.

Liquidity risk

Liquidity risk is defined as the risk of being unable to raise funds or borrowing to meet payment obligations as they fall due. The Fund maintains sufficient level of liquid assets, after consultation with the Trustee, to meet anticipated payments and cancellations of units by unitholders. Liquid assets comprise of deposits with licensed financial institutions and other instruments, which are capable of being converted into cash within 5 to 7 days. The Fund's policy is to always maintain a prudent level of liquid assets so as to reduce liquidity risk.

Objectives and assumptions

For each security in the Fund, the cash flows are projected according to its asset class. Each asset class, if any, follows the calculation method as below:

(i) For bonds

- For zero-coupon bonds, the nominal amount will be returned at maturity date.
- For non-zero coupon bonds, the coupons could be paid on annual, bi-annual or quarterly basis.

Cash received from bonds are calculated as follows:

\$ = cash received

R = annual coupon rate

F = coupon frequency

- For zero coupon bonds, $F = 0$
At maturity: $\$ = \text{Nominal}$
- For $F > 0$
Before maturity: coupon payment, $\$ = \text{Nominal} * (R/F)$
At maturity: maturity payment, $\$ = \text{Nominal} + (\text{Nominal} * R/F)$

(ii) For money market instruments and deposits

The nominal amount and interest will be paid at maturity date. Cash received are calculated as follows:

\$ = cash received

R = annual interest/profit rate

F = time to maturity (days)

At maturity: $\$ = \text{Nominal} + (\text{Nominal} * R * d / 365)$

The following table presents the undiscounted contractual cash flows from different asset and liability classes in the Fund:

	Contractual cash flows (undiscounted)					
	0 – 1 year RM	1 – 2 years RM	2 – 3 years RM	3 – 4 years RM	4 – 5 years RM	More than 5 years RM
2016						
Financial assets						
Investments	72,309,600	166,035,925	188,930,600	201,459,300	303,607,525	793,441,150
Deposits with financial institutions	14,380,440	-	-	-	-	-
Cash at banks	1,383	-	-	-	-	-
Total assets	86,691,423	166,035,925	188,930,600	201,459,300	303,607,525	793,441,150
Financial liabilities						
Other liabilities	306,725	-	-	-	-	-
2015						
Financial assets						
Investments	39,898,627	185,244,848	104,424,825	17,194,550	116,552,050	427,428,375
Deposits with financial institutions	11,990,915	-	-	-	-	-
Cash at banks	1,458	-	-	-	-	-
Total assets	51,891,000	185,244,848	104,424,825	17,194,550	116,552,050	427,428,375
Financial liabilities						
Other liabilities	301,654	-	-	-	-	-

Single issuer risk

Internal policy restricts the Fund from investing in securities issued by any issuer of not more than a certain percentage of its net asset value. Under such restriction, the risk exposure to the securities of any single issuer is diversified and managed based on internal/external ratings.

Regulatory risk

Any changes in national policies and regulations may have effects on the capital market and the net asset value of the Fund.

Management risk

Poor management of the Fund may cause considerable losses to the Fund that in turn may affect the net asset value of the Fund.

Non-compliance risk

This is the risk of the Manager, the Trustee or the Fund not complying with internal policies, the Deed of the Fund, securities law or guidelines issued by the regulators. Non-compliance risk may adversely affect the investments of the Fund when the Fund is forced to rectify the non-compliance.

21. CAPITAL MANAGEMENT

The primary objective of the Fund's capital management is to ensure that it maximises unitholders' value by expanding its fund size to benefit from economies of scale and achieving growth in net asset value from the performance of its investments.

The Fund manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Fund may issue new or bonus units, make distribution payment, or return capital to unitholders by way of redemption of units.

No changes were made in the objective, policies or processes during the financial periods ended 31 March 2016 and 31 March 2015.

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For more details on the list of IUTAs, please contact the Manager.

*For enquiries about this or any of the other Funds offered by AmFunds Management Berhad
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Friday (8.45 a.m. to 5.00 p.m.)*